CBRE
CB RICHARD ELLIS

MarketView
Sacramento Office

FIRST QUARTER 2006

MARKET OVERVIEW

The first quarter of 2006, started the year on a positive note with 30,014 square feet of net absorption. Although this is significantly lower than last year's fourth quarter numbers, several submarkets showed marked improvement rebounding from the 2005 negative levels. These areas include: the Hwy 50 Corridor; Howe/Fulton submarket; and East Sacramento. Total net absorption for the entire Sacramento area has remained positive for the past eight consecutive quarters.

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The vacancy rate, now at 13.35%, elevated slightly from the previous quarter's 12.57%. The increase in the vacancy rate is due in part to the 292,578 square feet of vacant space created by the addition of newly completed construction in the first quarter.

In this year's first quarter, 16 buildings were completed adding 548,790 square feet of rentable space to the market. The largest is the Golden One building with 200,000 square feet at 8945 Cal Center Drive in Sacramento in the Highway 50 Corridor. The Elk Grove submarket added four buildings, totaling approximately 104,000 square feet. The largest of these being 8401 Laguna Palms Way with 45,000 square feet.

The area's construction activity remains strong with 35 projects currently underway. There are an additional 82 projects in the planning phase.

The overall average asking lease rate for the Sacramento area is currently $1.73 and remains unchanged from fourth quarter of 2005. A slight increase in Class A rates was realized in both the South Natomas and Northgate/Natomas submarkets from $2.10 to $2.25.

QUICK STATS

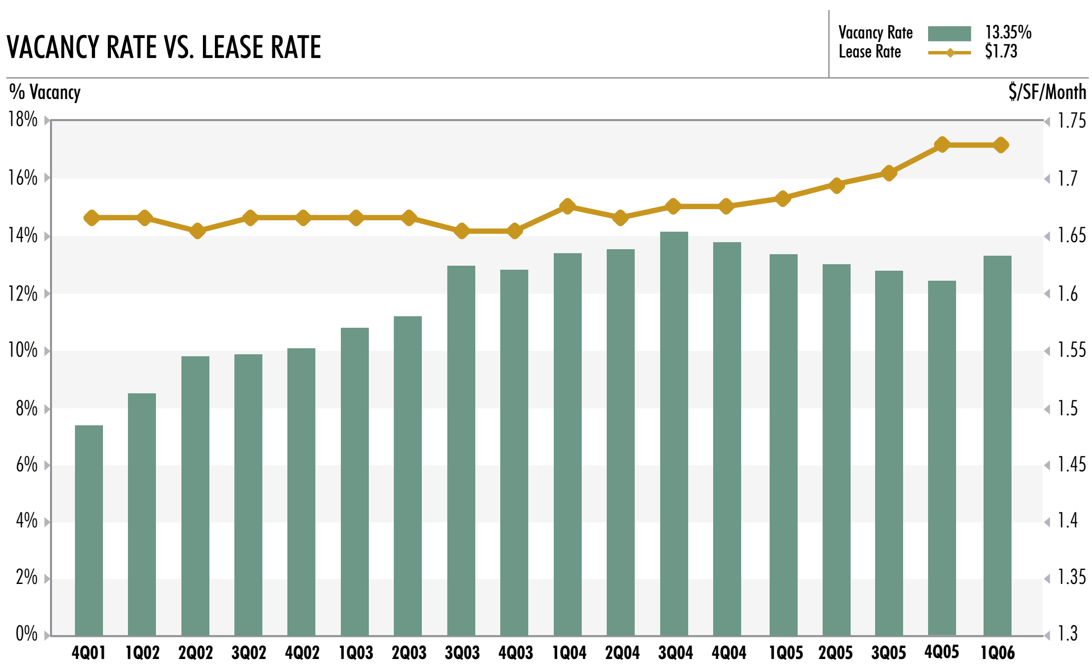
	Current	Change from last Yr.	Change from last Qtr.
Vacancy	13.35%	↑	↑
Lease Rates	$1.73	↔	↔
Net Absorption*	30,014 sf	↓	↓
Construction	1,398,036 sf	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- The increase in the vacancy rate is due in part to the 292,578 square feet of vacant space created by the addition of newly completed construction in the first quarter.
- A slight increase in Class A rates was realized in both the South Natomas and Northgate/Natomas submarkets from $2.10 to $2.25.
- There are currently 35 projects now under construction in the Sacramento area totaling approximately 1.4 million square feet.

VACANCY RATE VS. LEASE RATE



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Area	Submarket	Leasable Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	1Q Net Absorption	YTD Net Absorption	1Q Under Construction	1Q Avg. Lease Rates*	Class A Quoted Rates*
92	South Natomas	2,563,976	425,979	16.61%	(9,496)	(9,496)	0	$1.95	$2.25
78	Northgate / Natomas	2,325,266	383,863	16.51%	(88,813)	(88,813)	25,097	$1.80	$2.25
72	Midtown	1,807,728	188,086	10.40%	(3,405)	(3,405)	0	$1.70	n/a
85	Campus Commons	1,578,317	116,753	7.40%	(15,164)	(15,164)	40,000	$1.80	n/a
84	Point West	2,300,110	270,282	11.75%	(51,483)	(51,483)	0	$1.85	$2.50
77	Howe / Fulton	1,587,210	214,414	13.51%	2,660	2,660	0	$1.50	n/a
79	Watt Avenue	1,287,515	96,731	7.51%	(3,341)	(3,341)	0	$1.50	n/a
80	Highway 50 Corridor	10,925,030	1,542,098	14.12%	8,075	8,075	33,000	$1.65	$1.95
81	Carmichael / Fair Oaks	345,603	14,018	4.06%	(9,054)	(9,054)	0	$1.35	n/a
83	Citrus Heights / Orangevale	1,056,649	91,221	8.63%	(995)	(995)	0	$1.40	n/a
88	Roseville / Rocklin	5,141,493	632,615	12.30%	108,639	108,639	764,422	$2.10	$2.40
74	South Sacramento	1,371,070	183,992	13.42%	1,584	1,584	0	$1.40	n/a
75	East Sacramento	291,100	99,000	34.01%	763	763	0	$1.56	n/a
87	Elk Grove	510,191	130,131	25.51%	48,510	48,510	38,421	$2.10	$2.40
73	West Sacramento	1,223,020	217,435	17.78%	(5,833)	(5,833)	0	$1.50	n/a
86	Folsom	2,241,080	276,938	12.36%	99,161	99,161	155,096	$1.80	$2.50
	Suburban Total	**36,555,358**	**4,883,556**	**13.36%**	**81,808**	**81,808**	**1,056,036**	**$1.69**	**$2.33**
71	Downtown	10,494,840	1,398,224	13.32%	(51,794)	(51,794)	342,000	$2.25	$2.85
	Market Total	**47,050,198**	**6,281,780**	**13.35%**	**30,014**	**30,014**	**1,398,036**	**$1.73**	**$2.39**

Only existing single and multi-tenant office properties over 10,000 square feet, excluding government-owned buildings and medical buildings, are included in this survey.
* Average asking rate is based on direct leases only; excludes sublease space. Rates are based on price per square foot per month for full service.

MARKET OUTLOOK

First quarter 2006 numbers fell slightly behind the previous year's trend of steady absorption. Although the numbers were slightly lower at the start of the year, we expect 2006 to continue to a positive fashion. With Roseville continuing to lead the way in all categories, we see little stopping the market's momentum.

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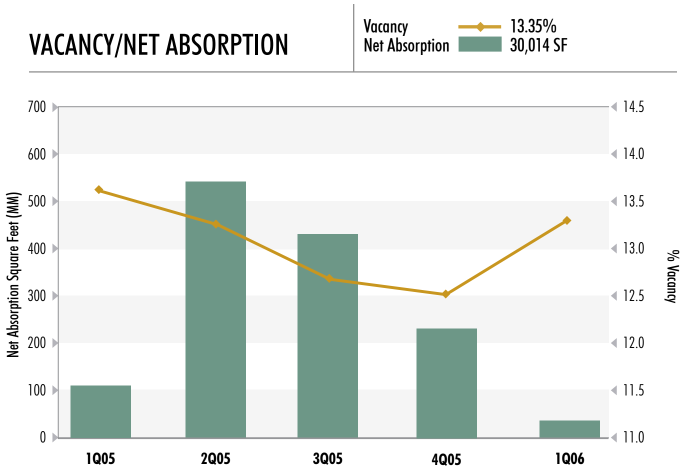
VACANCY/NET ABSORPTION



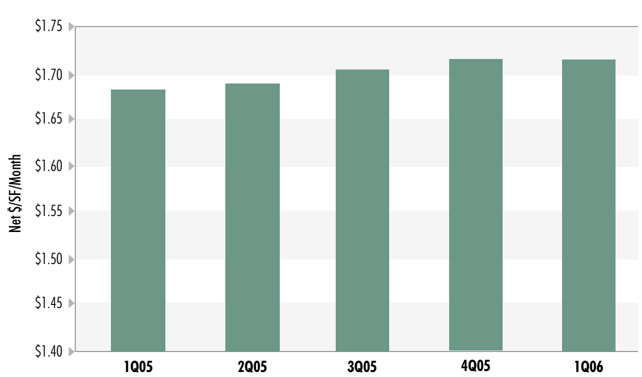
VACANCY RATE

The vacancy rate for the Sacramento office market increased by 0.78% from fourth quarter 2005, and currently stands just over 13%. Although the total market vacancy rate may have risen, some submarkets showed improvement; most notably the Folsom area, which experienced a drop in vacancy of 1.6% from 13.52% to 12.36%, and Carmichael/Fair Oaks down 1% from 5.06% to 4.06%. Submarkets that remain under 8% include: Campus Commons, Watt Avenue, and Carmichael/Fair Oaks.

NET ABSORPTION

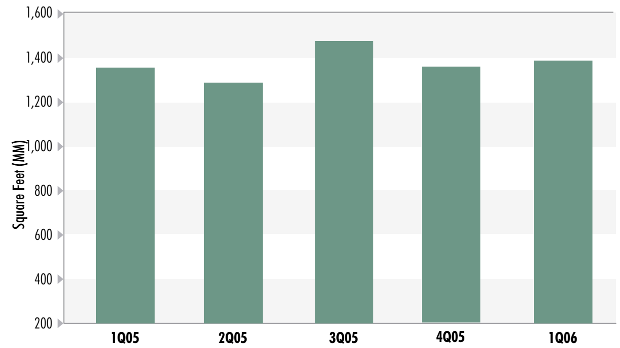
The first quarter 2006 saw 30,014 square feet of positive absorption. Although this number is significantly lower than that achieved at the end of the fourth quarter, several submarkets did show marked improvement. The areas that reflected positive improvements were: the Hwy 50 submarket from -18,610 SF to 8,075 SF, Howe/Fulton submarket from -56,437 SF to 2,660 SF and East Sacramento from -80,000 SF to 763 SF of positive net absorption at the end of the first quarter.

AVERAGE ASKING LEASE RATES



The overall average asking lease rate for the Sacramento area is currently $1.73 and remains unchanged from fourth quarter of 2005. A slight increase in Class A rates was realized in both the South Natomas and Northgate/Natomas submarkets from $2.10 to $2.25.

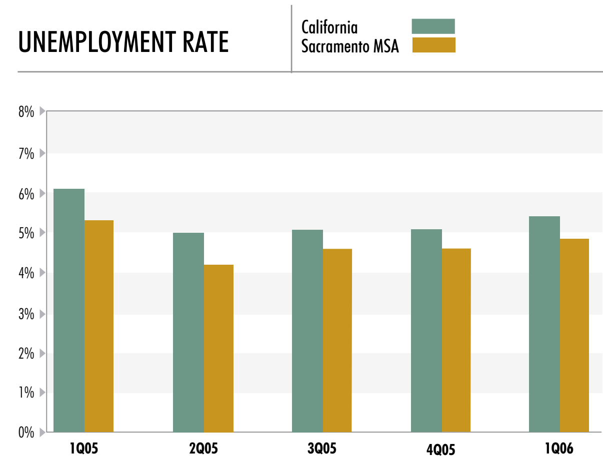
CONSTRUCTION ACTIVITY



There are currently 35 projects now under construction in the Sacramento area totaling approximately 1.4 million square feet. More than half of this square footage is in the Roseville/Rocklin submarket. Other submarkets with significant construction activity include: Downtown with 342,000 square feet and the Folsom submarket with 155,096 square feet.

There are 82 projects currently planned for the Sacramento Metropolitan Area. 35 of these are in the Roseville/Rocklin submarket and these alone total over 1.6 million square feet. Other notable areas with planned projects are: Hwy 50 Corridor with 7 projects (957,560 SF), Elk Grove with 11 projects (402,152 SF), Folsom with 5 projects (417,000 SF), and Northgate/Natomas with 18 projects (594,824 SF).

UNEMPLOYMENT RATE



In February 2006, the California Employment Development Department reported a 4.8 percent unemployment rate for the Sacramento area, which fell below last year's estimate of 5.4 percent and is up from last quarter's number of 4.7 percent. The current unemployment rate for California is 5.4 percent. Across counties, unemployment rates are as follows: El Dorado County 4.8 percent, Placer County 4.1 percent, Sacramento County 4.8 percent, and 6.1 percent in Yolo County.

During last year the total job count increased by 3.2 percent, with a total of 27,700 jobs added to the Sacramento MSA. January and February represented the strongest gains seen since 2001. Construction remains strong, despite concerns in the residential housing market, with a 3,300 job gain. Architecture, engineering and employment services added 5,700 jobs. The expansion of retail also continues to add to the job market, with an addition of 4,500 jobs coming from restaurants in the leisure and hospitality services.

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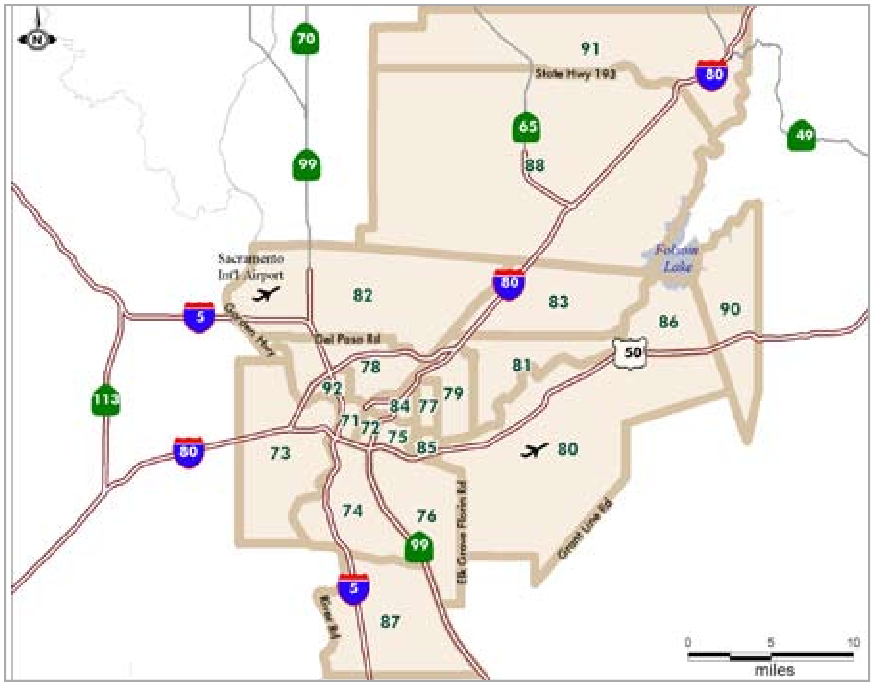
SUBMARKET AREA DESCRIPTIONS

LOCATION / MARKET AREA	MARKET NRA	MARKET SHARE
71 DOWNTOWN	10.5 million square feet	22.3%
72 MIDTOWN	1.8 million square feet	3.8%
73 WEST SACRAMENTO	1.2 million square feet	2.6%
74 SOUTH SACRAMENTO	1.4 million square feet	2.9%
75 EAST SACRAMENTO	0.3 million square feet	0.6%
77 HOWE/FULTON	1.6 million square feet	3.4%
78 NORTHGATE/NATOMAS	2.3 million square feet	4.9%
79 WATT AVENUE	1.3 million square feet	2.7%
80 HIGHWAY 50 CORRIDOR	10.9 million square feet	23.2%
81 CARMICHAEL/FAIR OAKS	0.3 million square feet	0.7%
83 CITRUS HEIGHTS/ORANGEVALE	1.1 million square feet	2.2%
84 POINT WEST	2.3 million square feet	4.9%
85 CAMPUS COMMONS	1.6 million square feet	3.4%
86 FOLSOM	2.2 million square feet	4.8%
87 ELK GROVE	0.5 million square feet	1.1%
88 ROSEVILLE/ROCKLIN	5.1 million square feet	10.9%
92 SOUTH NATOMAS	2.6 million square feet	5.4%



TERMINOLOGY

AVERAGE ASKING DIRECT LEASE RATE: The rate determined by multiplying the asking lease rate for each building in the summary by its associated vacant available space, summing the products, then dividing by the sum of the vacant available spaces with leases for all buildings in the summary. Direct leases only; excludes sublease space. Rates are reported $ per Sq.Ft. per month.

MARKET COVERAGE: Includes all existing single and multi-tenant buildings 10,000 square feet and larger, excluding government-owned and medical buildings.

NET ABSORPTION: The change in Occupied Square Feet from one period to the next.

NET RENTABLE AREA (NRA): The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

OCCUPIED SQUARE FEET: NRA not considered vacant.

UNDER CONSTRUCTION: Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET: Available NRA which is either physically vacant or immediately available.

VACANCY RATE: Vacant Square Feet divided by the NRA.

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